USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network
Template Version 2.09

Required Report - public distribution

Date: 5/3/2004

GAIN Report Number: KS4021

Korea, Republic of

Cotton and Products

Annual

2004

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Report Highlights:
Continued declines in spinning capacity reflecting pressure from imported yarn and textiles are expected to be offset by strengthening economic conditions and, in turn, demand for cotton products. As a result, raw cotton imports in MY 2004/05 are forecast to remain stable at 290,000 metric tons.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Seoul [KS1]
[KS]

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Section I. Situation and Outlook

Raw cotton is not produced in Korea. Cotton from the United States and Australia accounts for almost 60 percent of the Korean market. Roughly 95 percent of raw cotton imports are consumed by the 20 Korean cotton mills that comprise the Spinners and Weavers Association of Korea (SWAK). In CY 2003, drought-reduced cotton production in Australia and increased cotton demand in China resulted in higher cotton prices for Korean spinners and weavers. At the same time, a slowdown in the Korean economy and a continuing decline in spinning capacity reduced domestic demand for cotton products. Despite expectations of continued decreases in spinning capacity, strengthening economic conditions in Korea and continued strong export demand for yarn are expected to keep Korean raw cotton imports stable at .3 MMT in MY 2004/05.

Consumption & Production

In CY 2004, the Korean clothing market is expected to grow 7 percent to US$ 17.15 billion in sales along with improved prospects for the Korean economy. Although prospects for a stronger economy are expected to boost overall demand in Korea for cotton products in MY 2004/05, much of the benefit may accrue to foreign spinners and weavers.

Increased imports of competitively priced cotton yarn imports have resulted in reduced yarn production in Korea. The number of spindles owned by SWAK member companies, over 2 million in 2001, is forecast to fall to 1.6 million in 2004. Korean spinners are restructuring and placing increasing emphasis on investing in overseas spinning capacity. As a result of the lackluster economy in 2003 and the trend toward increasing foreign yarn production, overall cotton yarn production in Korea decreased from 209,848 MT in CY 2002 to 204,346 MT in CY 2003. The trend continued during the first two months of CY 2004 with yarn production 7 percent lower than during the same period in CY 2003.

In reaction to competition from low-cost suppliers, Korean spinners have emphasized production of high quality yarns (particularly blends) for export in addition to investing in foreign spinning capacity. Cotton yarn exports increased in MY 2003/04. High quality cotton yarn exports accounted for a larger portion of overall yarn exports. Cotton yarn exports, over 50 percent of which go to Hong Kong and China, are expected to continue as a bright spot for Korean spinners in MY 2004/05.

Because of reduced textile production, Korea’s total raw cotton consumption in MY 2003/04 decreased to 289,678 MT; a substantial reduction from MY 2002/03. In MY 2004/05, strengthening domestic demand and continued strong demand for Korean cotton yarn and fabrics from China is expected to keep cotton consumption stable a 290,000 despite strong competition from imported cotton yarn and products.

Cotton fabric production in Korea has been in decline since CY 1999. Korean weaving facilities operated at 65 percent capacity CY 2003 compared to 77 percent in CY 2002. In addition, the number of spindles operated by Spinners Weavers Association of Korea (SWAK) member companies declined 7 percent from 1.82 million in CY 2002 to 1.68 million in 2003. Capacity peaked at 3.7 million spindles in CY 1989. Korean spindle capacity, expected to decrease to 1.60 million spindles in CY 2004, will likely continue to decline in the future.

Trade

Korea’s total raw cotton imports in MY 2004/05 are forecasted to increase to 290,000 MT along with an expected recovery of the Korean economy. In MY 2003/04, total cotton imports are estimated to decline to 277,800 MT. In part, the reduction in imports was the result of a stock buildup which occurred at the end of MY 2002/03.

Korea imported only 183,431 MT of raw cotton during the first 8 months of MY 2003/04 (August 2003 – March 2004); a 13.4 percent reduction from 211,774 MT of imports over the same period in the previous year. In contrast to the overall reduction in Korean raw cotton imports during MY 2003/04, U.S. cotton exports to Korea increased to 78,293 MT; a 43 percent increase from 54,742 MT in MY 2002/03. In MY 2004/05, U.S. upland cotton exports to Korea will likely be faced with some additional competition from Australia as cotton production there recovers from drought in MY 2003/04.

SWAK estimates that about 50 percent of the spinning costs in Korea are based on cotton prices. Currently, the price of Brazilian raw cotton is about 8 - 10 cents/pound (C&F value) lower than cotton from the United States. As a result, some Korean spinners are expected to increasingly turn to Brazilian upland cotton suppliers in MY 2003/04 and MY 2004/05 in an effort to keep production costs down.

Korea's Extra Long Staple (ELS) cotton consumption in MY 2004/05 is expected to increase slightly after a decline in MY 2003/04. Local golf apparels sales, a key finished ELS cotton product, decreased in line with slow economic growth in CY 2003. Imports of Egyptian ELS cotton, perceived as the best quality cotton by Korean importers, decreased in MY 2003/04 as a result of reduced export availabilities in Egypt. Accordingly, Korean importers shifted from Egyptian ELS cotton to U.S. pima cotton in MY 2003/04. Nevertheless, total ELS cotton imports in MY 2003/04 are expected to decrease slightly. Improved export prospects for Egyptian ELS cotton in MY 2004/05 and beyond will likely result in increased Korean imports.

Although Korean spinners and weavers continue to face strong competition from foreign yarn and fabric supplies, imports of cotton yarn and cotton fabric imports decreased in CY 2003. In the face of stagnant demand in Korea, Korean importers reduced cotton yarn and fabric, respectively, by 18 and 12 percent in CY 2003 to 197,406 MT and 75,378 MT. Prospects for stronger economic conditions in MY 2004/05 will likely lead to increased cotton yarn and cotton fabric imports.

Korean cotton yarn exports increased slightly (3 percent) in CY 2003 to 30,802 MT based largely on increased demand for Korean cotton yarn from China. According to analysts in the Korean cotton industry, China is expected to continue to demand additional cotton products as economic growth spurs a shift in Chinese consumer preferences shift from synthetic textiles to more cotton and cotton-blend textiles.

Under USDA's GSM Export Credit Guarantee program for FY 2004, US$ 44.9 million of U.S. cotton sales were registered as of April 2, 2004. The total GSM program announced for Korea in FY 2004 is $450 million.

Stocks

SWAK produces the only reliable data on cotton stocks in Korea. SWAK prepares stock estimates by surveying members to determine "days of stock on hand." Since the Asian financial crisis in CY 1998, Korea has been maintaining about 85 - 90 days worth of stock on hand. SWAK reported that stocks on hand in July 2003 were unusually high at 101,595 MT. High ending stocks at the end of MY 2002/03 were reportedly the result of advance purchasing by some importers who correctly anticipated higher prices for imported cotton. During MY 2003/04, Korean cotton processors are expected to draw down stocks to a level of 88,617 MT. Continued strong prices and a general trend toward decreasing capacity is expected to result in a further decline in MY 2004/05 ending stocks to 87,517 MT.

Section II. Statistical Tables
PS&D for Total Cotton

PSD Table

Country Korea, Republic of
Commodity Cotton (HECTARES)(MT)

	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [New]	
Market Year Begin		08-2002		08-2003		08-2004	MM/YYYY
Area Planted	0	0	0	0	0	0	(HECTARES)
Area Harvested	1000	0	1000	0	0	0	(HECTARES)
Beginning Stocks	109081	88555	106033	101595	92752	88617	(MT)
Production	218	0	218	0	0	0	(MT)
Imports	324848	324938	299374	277800	0	290000	(MT)
TOTAL SUPPLY	434147	413493	405625	379395	92752	378617	(MT)
Exports	1524	1482	2613	1100	0	1100	(MT)
USE Dom. Consumption	326590	310416	310260	289678	0	290000	(MT)
Loss Dom. Consumption	0	0	0	0	0	0	(MT)
TOTAL Dom. Consumpti	326590	310416	310260	289678	0	290000	(MT)
Ending Stocks	106033	101595	92752	88617	0	87517	(MT)
TOTAL DISTRIBUTION	434147	413493	405625	379395	0	378617	(MT)

Trade Matrix

Korea: Total Imports of Raw Cotton for MY 2002/03 & MY 2003/04

MY 2002/03				MY 2003/04(AUG – FEB)			
COUNTRY	MT	$000	Mkt. Shr.	COUNTRY	MT	$000	Mkt. Shr.
U.S.A.	94,648	107,526	29%	U.S.A.	67,717	97,692	42%
AUSTRALIA	96,922	110,754	30%	AUSTRALIA	28,395	42,460	17%
UZBEKISTAN	46,262	50,151	14%	UZBEKISTAN	15,971	22,240	10%
PR. CHINA	34,187	40,277	10%	PR. CHINA	7,618	10,508	5%
EGYPT	13,970	25,406	4%	EGYPT	4,836	8,063	3%
RUSSIA	8,748	9,859	3%	RUSSIA	7,976	10,463	5%
SWITZERLAND	8,232	8,935	3%	SWITZERLAND	360	489	0%
ZIMBABWE	6,140	7,009	2%	ZIMBABWE	1,553	1,942	1%
BURKINA FASO	4,187	4,396	1%	BURKINA FASO	3,173	4,172	2%
MALI	1,862	1,965	1%	MALI	1,337	1,801	1%
BRAZIL	0	0	0%	BRAZIL	6,953	10,106	4%
OTHER	9,780	10,472	3%	OTHER	16,160	25,048	10%
TOTAL	324,938	376,750	100%	TOTAL	162,049	234,984	100%

Source: Korea Trade Information Services (KOTIS)

Korea: Imports of ELS Cotton for MY 2002/03 & 2003/04

MY 2002/03				MY 2003/04(AUG – FEB)			
COUNTRY	MT	$000	Mkt. Shr.	COUNTRY	MT	$000	Mkt. Shr.
U.S.A.	1,827	3,313	23%	U.S.A.	2,310	4,474	56%
HONG KONG	469	595	6%	HONG KONG	0	0	0
ISRAEL	0	0	0%	ISRAEL	239	586	6%
PR. CHINA	1,436	2,497	18%	PR. CHINA	93	218	2%
EGYPT	4,156	7,802	52%	EGYPT	1,348	3,322	33%
RUSSIA	125	197	1%	RUSSIA	0	0	0
OTHER	0	1	0%	OTHER	123	206	3%
TOTAL	8,013	14,405	100%	TOTAL	4,113	8,806	100%

Source: Korea Trade Information Services (KOTIS)

Korea: Imports of Upland Cotton for MY 2002/03 & MY 2003/04

	MY 2002/03			MY 2003/04(AUG – FEB)		
COUNTRY	MT	$000	Mkt. Shr.	MT	$000	Mkt. Shr.
U.S.A.	92,822	104,213	29%	65,407	93,218	41%
AUSTRALIA	96,922	110,754	30%	28,395	42,460	18%
UZBEKISTAN	46,262	50,151	15%	15,971	22,240	10%
PR. CHINA	32,751	37,780	10%	7,525	10,290	5%
EGYPT	9,814	17,604	3%	3,488	4,741	2%
RUSSIA	8,623	9,662	3%	7,976	10,463	5%
SWITZERLAND	8,232	8,935	3%	360	489	0%
ZIMBABWE	6,140	7,009	2%	1,553	1,942	1%
BURKINA FASO	4,187	4,396	1%	3,173	4,172	2%
MALI	1,862	1,965	1%	1,337	1,801	1%
BRAZIL	0	0	0%	6,953	10,106	5%
OTHER	9,310	9,876	3%	15,798	24,256	10%
TOTAL	316,925	362,345	100%	157,936	226,178	100%

Source: Korea Trade Information Services (KOTIS)

Korea: Exports of Raw Cotton for MY 2002/03 & 2003/04

	MY 2002/03			MY 2003/04(AUG – FEB)		
COUNTRY	MT	$000	Mkt. Shr.	MT	$000	Mkt. Shr.
PR. CHINA	676	879	46%	0	7	0%
VIETNAM	639	772	43%	430	559	100%
TAIWAN	167	146	11%	0	0	0%
PHILIPPINES	0	3	0%	0	2	0%
OTHER	0	0	0%	0	0	0%
TOTAL	1,482	1,800	100%	430	568	100%

Source: Korea Trade Information Services (KOTIS)

Korea: Imports of Cotton Yarn for CY 2003 & 2004

	CY 2003			CY 2004(JAN – FEB)		
COUNTRY	MT	$000	Mkt. Shr.	MT	$000	Mkt. Shr.
INDIA	89,020	218,203	45%	23,527	68,777	57%
PAKISTAN	58,569	112,838	30%	11,337	28,657	28%
PR. CHINA	16,428	45,671	8%	2,336	7,519	6%
INDONESIA	12,728	29,739	7%	1,695	5,045	4%
VIET NAM	9,952	17,678	5%	984	2,263	2%
UZBEKISTAN	4,278	6,893	2%	159	332	0%
THAILAND	3,651	9,330	2%	412	1,337	1%
MALAYSIA	655	1,175	0%	78	143	0%
EGYPT	558	3,173	0%	45	252	0%
U.S.A.	146	490	0%	32	96	0%
OTHER	1,421	14,414	1%	600	3,245	2%
TOTAL	197,406	459,604	100%	41,205	117,666	100%

Source: Korea Trade Information Services (KOTIS)

Korea: Imports of Cotton Fabric for CY 2003 & 2004

	CY 2003			CY 2004(JAN – FEB)		
COUNTRY	MT	$000	Mkt. Shr.	MT	$000	Mkt. Shr.
PR. CHINA	62,988	202,242	84%	10,728	36,903	86%
PAKISTAN	4,800	10,845	6%	609	1,593	5%
JAPAN	1,454	23,727	2%	303	5,702	2%
UZBEKISTAN	944	1,984	1%	22	65	0%
TAJIKISTAN	1,021	1,789	1%	210	372	2%
INDIA	1,185	5,884	2%	164	839	1%
INDONESIA	612	3,008	1%	72	455	1%
ITALY	357	15,546	1%	76	3,717	1%
TAIWAN	289	2,677	0%	47	593	0%
U.S.A.	209	2,627	0%	52	563	0%
OTHER	1,519	14,751	2%	188	2,277	2%
TOTAL	75,378	285,080	100%	12,471	53,079	100%

Source: Korea Trade Information Services (KOTIS)

Korea: Exports of Cotton Yarn for CY 2002 & 2003

	CY 2003			CY 2004 (JAN – FEB)		
COUNTRY	MT	$000	Mkt. Shr.	MT	$000	Mkt. Shr.
HONG KONG	9,703	30,697	32%	1,198	4,515	24%
PR. CHINA	6,418	17,189	21%	1,198	3,636	24%
JAPAN	1,889	5,230	6%	336	1,039	7%
U.S.A.	1,603	4,442	5%	321	1,114	6%
GUATEMALA	1,129	3,181	4%	204	676	4%
SINGAPORE	1,063	3,415	4%	209	722	4%
MAURITIUS	1,006	3,119	3%	97	369	2%
HONDURAS	946	2,352	3%	225	609	5%
VIETNAM	736	3,190	2%	294	1,274	6%
TAILAND	839	3,016	2%	143	518	3%
OTHER	5,470	19,086	18%	758	2,919	15%
TOTAL	30,802	94,917	100%	4,983	17,391	100%

Source: Korea Trade Information Services (KOTIS)

Korea: Exports of Cotton Fabric for CY 2002 & 2003

	CY 2003			CY 2004 (JAN - FEB)		
COUNTRY	MT	$000	Mkt. Shr.	MT	$000	Mkt. Shr.
U.S.A.	10,237	93,632	23%	1,688	15,740	25%
PR. CHINA	10,249	78,611	23%	1,316	10,809	20%
VIET NAM	2,895	19,649	6%	453	3,653	7%
HONG KONG	2,511	29,039	6%	325	3,670	5%
INDONESIA	3,141	21,458	7%	541	3,755	8%
PHILIPPINES	1,254	12,578	3%	166	1,206	2%
BANGLADESH	1,357	10,678	3%	328	2,847	5%
AFGHANISTAN	2,315	7,104	5%	259	864	4%
IRAN	920	4,388	2%	115	569	2%
OTHER	9,866	77,771	22%	1,461	10,650	22%
TOTAL	44,745	354,908	100%	6,652	53,763	100%

Source: Korea Trade Information Services (KOTIS)

Korea: Imports and Exports of Cotton Apparel

	Products	CY 2002		CY 2003		2004(JAN – FEB)	
		MT	$Mil.	MT	$Mil.	MT	$Mil.
Import	Knit	27,224	274	32,583	340	5,636	70
	Fabric	51,435	456	56,718	563	9,015	111
	Total	78,659	730	89,301	903	14,651	181
	Growth	41%	42%	13.5%	23.7%	10.7%	13.1%
Export	Knit	50,578	822	46,755	772	6,520	111
	Fabric	17,830	299	19,315	320	3,371	65
	Total	68,408	1,121	66,070	1,092	9,891	176
	Growth	- 7.1%	- 7.4%	- 3.4%	- 2.6%	5.2%	2.9%

Source: Spinners & Weavers Association of Korea (SWAK)

Korea: Most Recent Import Trend for Cotton Products Influence of the China's Entry into the Bangkok Agreement
(Unit: MT)

HS Code	Cotton Products 1/	CY 2002 Imports		CY 2003 Imports		
		Total	China	Total	China	Growth
6202.12	Women's overcoats	419	389	682	652	68%
6202.92	Women's anoraks, wind-jacket	610	606	918	912	51%
6204.12	Women's suits	188	178	217	213	20%
6204.22	Women's ensembles	68	65	59	52	-20%
6204.32	Women's jackets	1,611	1,427	2,730	2,494	75%
6204.42	Women's dresses	291	243	462	401	65%
6204.52	Women's skirts	497	429	1,184	1,079	152%
6204.62	Women's trousers	11,808	11,234	14,873	14,340	28%
6206.30	Women's blouses	2,538	2,377	3,479	3,289	38%
6209.20	Babies garments	477	407	676	563	38%
	Total	18,507	17,355	25,280	23,995	38%

1/ Tariff for the listed products from China are lowered from 13% to 8.1% as of January 1, 2002. Source: Korea Trade Information Services

PRICES

Korea: Average Monthly Import Price for Raw Cotton
(U.S. Cents/ Pound)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1998	84	83	82	79	79	76	76	76	76	78	76	75
1999	73	71	70	68	67	65	66	66	65	64	61	59
2000	58	57	56	57	57	58	58	58	58	59	61	63
2001	63	65	65	64	64	60	61	59	58	57	56	53
2002	52	51	50	48	49	47	48	48	47	48	50	50
2003	51	54	54	55	56	59	60	60	61	61	62	69
2004	73	76	8%	15%	14%	26%	25%	25%	28%	27%	24%	38%
Change	43%	41%										

Source: Korea Trade Information Services (KOTIS)

Korea: Price of Cotton Yarn for Export and Local Trade

(Unit: USD / Bale)

	Direct(FOB)				Local Trade				Exchange Rate(W/$)
	CD30	CD40	CM30	CM40	CD30	CD40	CM30	CM40	
Dec.2000	-	-	510	550	510	590	540	650	1,256
Sep.2001	-	-	480	520	480	550	510	600	1,296
Dec.2001	-	-	430	480	450	530	470	560	1,289
Dec.2002	-	-	420	480	-	-	430	520	1,209
May2003	-	-	450	520	-	-	470	550	1,198
Dec.2003	-	-	-	-	-	-	590	640	1,192
Mar.2004	-	-	-	-	-	-	570	630	1,166

Source: Spinners & Weavers Association of Korea (SWAK)

PRODUCTION

Korea: Spun Yarn Production 1/ (Unit in MT)

Year	Cotton Yarn	Cotton Blended	MMF 2/	Total	Growth
1998	168,705	58,118	22,636	249,459	-7.6%
1999	190,294	57,871	27,429	275,594	10.5%
2000	182,357	56,921	29,230	268,508	-2.6%
2001	191,826	45,376	24,601	261,803	-2.5%
2002	209,848	42,974	28,287	281,109	7.4%
2003	204,346	51,039	28,174	283,559	0.9%
Change	- 2.6%	18.7%	- 0.4%	0.9%	
2003(Jan.-Feb.)	34,608	8,104	4,801	47,513	
2004(Jan.-Feb.)	32,148	6,924	4,329	43,401	- 8.7%
Change	- 7.1%	- 14.6%	- 9.8%	- 8.7%	

1/ Member companies account for approximately 95 percent of total cotton consumption.
2/ Man-made Fiber (MMF)
Source: Spinners & Weavers Association of Korea (SWAK)

Korea: Fabric Production by SWAK Member Companies 1/
(Unit in 1000 Square meters)

Year	Cotton Fabric	Cotton Blended	MMF 2/	Total	Growth
1998	104,558	58,183	47,346	210,087	-25.6%
1999	127,101	88,540	46,560	262,201	24.8%
2000	107,483	70,941	46,046	224,470	-14.4%
2001	97,749	61,134	30,830	189,714	-15.4%
2002	86,558	61,354	24,950	172,863	-8.9%
2003	70,843	44,004	19,343	134,189	- 22.4%
Change	- 18.1%	- 28.3%	- 22.5%	- 22.4%	
2003(Jan.-Feb.)	12,204	8,460	3,848	24,512	
2004(Jan.-Feb.)	12,224	5,708	1,761	19,693	- 19.7%
Change	0.1%	- 32.5%	- 54.2%	- 19.7%	

1/ Member companies account for approximately 95 percent of total cotton consumption.
2/ Man-made Fiber(MMF)
Source: Spinners & Weavers Association of Korea (SWAK)

CONSUMPTION

Korea: Raw Material Consumption by SWAK Member Companies 1/
(Unit in MT)

Year	Raw Cotton	Rayon&Acet	Polyester	Other	Total
1997	267,199	16,959	36,989	2,686	323,833
1998	244,296	17,169	33,537	2,621	297,623
1999	275,113	21,274	32,777	4,041	333,205
2000	267,496	23,289	33,201	2,925	326,911
2001	270,678	18,231	24,121	3,067	316,079
2002	290,171	19,465	20,623	6,380	336,639
2003	288,320	21,116	21,827	7,882	339,145
Change	- 0.6%	8.5%	5.8%	23.5%	0.7%
2003(Jan.-Feb.)	48,312	3,365	3,897	1,161	56,735
2004(Jan.-Feb.)	45,095	3,185	2,752	1,400	52,432
Change	- 6.7%	- 5.3%	- 29.4%	20.6%	- 7.6%

1/ Member companies account for approximately 95 percent of total cotton consumption
Source: Spinners & Weavers Association of Korea (SWAK)

Korea: Number of Spindles/Looms owned by SWAK member Companies in Korea

	1998	1999	2000	2001	2002	2003	2004(est)
Spindles('000)	2,271	2,200	2,119	2,040	1,823	1,689	1,600
Looms	3,482	2,469	2,300	1,810	1,500	1,362	1,300

Source: Spinners & Weavers Association of Korea (SWAK)

Korea: Offshore Cotton Facilities Owned by Korean Spinners in 2003

Country	Number of Spindles	Number of Looms
CHINA	225,832	392
VIET NAM	188,472	1,731
INDONESIA	16,960	-
INDIA	104,646	-
SRI LANKA	100,000	558
UZBEKISTAN	329,340	346
TAJIKISTAN	35,952	243
EGYPT	53,184	-
TOTAL	1,054,386	3,270

Source: Spinners & Weavers Association of Korea (SWAK)

Korea: Tariff Rates for Cotton Products

(Unit % imposed on CIF value)

	Current Applied Tariff Rates	Bound Tariff under WTO Commitments		
Year	2004	2004	2005	2006
Raw cotton 1/	0%	2%	2%	2%
Cotton yarn 2/	2%	13%	13%	13%
Cotton fabric 3/	10%	13%	13%	13%

1/ a quota tariff rate is currently being applied with unlimited quota amount.
2/ a quota tariff rate is currently being applied for 50,000 MT of low count cotton yarn, for other cotton yarn a basic tariff rate of 8% is currently being applied.
3/ a basic rate of 10% is currently being applied.

* Quota tariff rate and adjustment tariff rate are annually modified by the Ministry of Finance and Economy.